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July 20, 2007

Mr. Steve Hill, Administrator
Health Care Authority
PO Box 42700
Olympia, WA 98504-2700

Benefits Administration / Insurance Accounting System (BAIAS) Project
Quality Assurance Report

Dear Mr. Hill:

The enclosed report represents quality assurance findings and recommendations for the BAIAS Project through the month of June. We have attended negotiations with the vendors, the ISB meeting, project team meetings, Steering Committee meetings, Advisory Group meetings, and working sessions with various staff and stakeholders. The project was intent on completing negotiations with the vendors and has:

> ➢ Conducted extensive negotiations with both SAP and EpiUse based on their response to the BAIAS RFP.

> ➢ Consulted with decision makers in OFM, DIS, and the Governor's Office to select a course of action that would benefit the state as well as HCA in the future.

> ➢ Cancelled the BAIAS RFP released in August 2006.

> ➢ Obtained approval from the ISB to proceed with acquisition activities and reissue an RFP for integrator services.

> ➢ Concluded negotiations with SAP and signed a sole source agreement for software;

> ➢ Terminated negotiations with EpiUse.

> ➢ Prepared for re-issuance of an RFP for integrator services.

We are not offering any additional recommendations in this report. A summary of recommendation status is included as Appendix A attached to this report. Please don't hesitate to call Julie Boyer or myself at 360.956.9064 if you have any questions or concerns.

Sincerely,

Kathleen Nolte
Director

Enclosure
cc: Gary Robinson, Department of Information Services
        Beth Dupre, Deputy Administrator
        Mary Fliss, Assistant Administrator
        Christina McDougall, Project Manager
        Debbie Kendall, Department of Information Services

Washington State Health Care Authority

Benefits Administration / Insurance Accounting System Project

QUALITY ASSURANCE

Periodic Report
May 1 through June 30, 2007

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Quality Assurance Findings—*What is...*

◆ Environment

  ▪ The Heath Care Authority (HCA) has chosen the SAP software to support its new business systems. While this is the same software being used by the state for other business systems, this will be a separate installation from the financial management application for Department of Natural Resources or the human resources application for Department of Personnel.

  ▪ The HCA is aware of the effort by the Office of Financial Management (OFM) to review the chart of accounts and to develop common data definitions for enterprise applications. Both of these efforts could have an impact on the approach to implementation of the software and hardware used for BAIAS. The project manager has been in direct contact with staff and managers at OFM to discuss how to connect their efforts to the BAIAS activities.

Quality Assurance Findings—*What is...*

- ◆ Approach

  - ▪ The HCA negotiated the integration services contract and the software contract separately and planned to sign the two contracts at the same time. The negotiations produced different results with each vendor and the HCA adjusted their approach as the conditions changed. While the SAP software proved to be a good fit with the business requirements for BAIAS, the integration services proposed were less than satisfactory.

  - ▪ Negotiations with EpiUse were suspended by the HCA when it became evident that the vendor could not provide the overall project management and change management expertise that was needed for a project of this magnitude and complexity. EpiUse was advised of this decision in mid-May and the HCA began strategizing how to change its planned approach to contracting with an integrator for the BAIAS project.

  - ▪ With the advice and support of the Executive Sponsors, OFM, DIS and the Governor's Office, the HCA decided to cancel the August 2006 RFP, consider a sole source contract for software with SAP, and reissue a new RFP for an integrator to design a business system using the SAP software. In a late June meeting, the Information Services Board approved HCA's request to sign a sole source agreement with SAP for software, to release additional funds for additional acquisition and readiness costs, and to release an RFP for an integrator for the new business system implementation.

  - ▪ After approval by the ISB, the SAP software contract was signed prior to the end of June and the software was received immediately by the HCA. The contract provided the state with very beneficial terms for the products and services covered by the agreement. Of note was the agreement by SAP to extend the warranty period and to provide a warranty that the individual modules of *My SAP* would successfully work together when configured in the BAIAS business systems by a new system integrator.

  - ▪ The HCA will begin working on business process redesign (BPR) in the next 6 to 8 weeks in order to utilize this time to their advantage. A vendor with this expertise and knowledge of SAP software will be identified to facilitate and begin the detailed documentation of *as is* and *to be* processes.

Quality Assurance Findings—*What is...* *(continued)*

- ◆ Schedule
  - ▪ The acquisition phase of the project has been extended into spring 2008 to accommodate another solicitation and contracting process for an integrator for the SAP software. The schedule has been adjusted to show a release date for the new RFP by the end of August, the selection of the apparently successful vendor by mid-December, and an expected start date for the new integration vendor after contract negotiations in early March 2008.

  - ▪ The current schedule has been updated to reflect BPR work that will be ongoing until the integrator begins. The schedule also reflects other project readiness activities that will be completed before the integrator begins in early 2008. The current schedule has an adequate level of detail contained in it to determine progress on major project tasks.

  - ▪ The HCA plans to have the integrator be responsible for developing and maintaining an integrated project plan with built in resource levels and dependencies. Until the project completes the Gap Analysis Phase, the project won't have the benefit of a fully integrated project plan to help guide and monitor its progress.

    - ➢ *See Previous Recommendation #1 in Appendix A*

- ◆ Expectations
  - ▪ Expectations about the schedule and approach were of great importance to the project participants. Once it became evident that the expectations could not be met by contracting with the apparently successful vendors for software and hardware, the project participants revised their expectations and determined that having expertise needed to make the project successful was more important than just achieving the established schedule. The project participants were in agreement that contracting with a vendor who could not provide the expertise needed was not desirable from any perspective.

  - ▪ The ISB Stakeholders and users have expected the new system to be implemented by the open enrollment period for June 2009. Given delays in the negotiations, this schedule is at risk. Should the schedule not be met, a structured communication plan will be needed to reset expectations for the system implementation timeline.

Quality Assurance Findings—*What is...* (continued)

- ◆ Resources
  - ▪ Transition from one project manager to another went very smoothly even as the project approach to implementation was changing. Both individuals have been in regular communication and provide support and guidance to each other. Another transition is planned during the next month and is expected to be as smooth and seamless as the first.

  - ▪ A project member has been hired to coordinate the BPR and Change Management efforts. This person is scheduled to begin work in mid-July and will be a immediately involved in getting the BPR activities organized.

  - ▪ Space planning in the new facility is well underway with equipment and renovations being defined and acquired for the BAIAS project team in an adjacent building. Resources to support these project readiness tasks was approved by the ISB in June.

  - ▪ The project analyst has advised the HCA that he will be leaving the project by the end of July for a year. This position supports the project schedule and project planning and will need to be filled immediately, even if it is on a temporary basis.

  - ▪ The project has been unable to add resources to support communications and financial management activities. Interviews have been conducted but have not resulted in anyone new starting work on the project. Workloads continue to exceed the resources available and some project staff are expending more than full time effort on the work that needs to be accomplished presenting an increased risk to the project.

Quality Assurance Findings—*What is...* *(continued)*

- ◆ Leadership
  - ▪ During this reporting period, leadership skills were exhibited by project participants at every level. The project sponsors, director, managers and decision makers have exhibited outstanding leadership in helping to support the BAIAS project while HCA was changing its approach to project implementation. Communication with each individual and the timing of the contacts was carefully planned and executed. Reaching nearly unanimous agreement on how to proceed was reflective of the buy-in obtained from each individual involved and their interest in making the project successful. Leaders of the project within HCA were commended by many for their efforts and courage to do something different and do it right even though it meant delaying a solution to the business problems facing the agency for the last several years.
- ◆ Controls
  - ▪ There has been no change in the planned project controls and processes that will need to be developed preparation for project kick-off and gap analysis. Project staff have been busy with a complete change in approach to the integrator acquisition and have not had time to work on these tools. Given the delay in the arrival of an integrator, this does not significantly increase the risk to the project.
- ◆ Communication
  - ▪ The project has not been successful in hiring a communication specialist to support the work identified in the revised Communication Plan.
    - ➢ *See Previous Recommendation #3 in Appendix A*

Quality Assurance Findings—*What is...* (continued)

- ◆ Credibility and Integrity
  - ▪ Credibility and integrity with decision makers and stakeholders continues to be high. Requests made of the ISB were discussed in a meaningful way and approved without amendment. Executives in the Governor's Office, OFM and DIS responded very quickly to the HCA contract situation and offered support and advice on how best to handle the condition. While all of the individuals are aware of the previous project failure and were disappointed that the RFP did not result in successfully contracting with an integrator and software vendor team, they are all supportive of the direction being taken, understand the reasons the approach has been changed and are not expressing grave apprehension about the project's viability. This reflects the confidence and support expressed in the project's leaders and managers.

- ◆ Commitment
  - ▪ The personal commitment of the project executives and the managers has been extraordinary during this reporting period. Decision making was done with careful attention to detail and weighing of risk to the HCA, the state and the vendors. Obtaining the sole source contract with for the software with SAP reflects this personal commitment to make the project successful, especially by the HCA Administrator and Deputy Administrator. The personal involvement from both of them and relentless pursuit of risk mitigation factors within the sole source agreement will serve the HCA and the state well in the future.

Appendix A - Summary of Recommendations

Quality Assurance Recommendations

	Recommendations	Feb 2006	April 2006	June 2006	Aug 2006	Oct 2006	Dec 2006	Feb 2007	April 2007	June 2007	Status / Comments
1	Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	☆	➤	➤	➤	➤	➤	➤	➤	➤	In progress. This will be in progress until the gap analysis phase is completed.
2	Clarify roles and responsibilities for project participants and decision-makers that reflects the organization of the project.	☆	➤	➤	✓						Recommendation closed.
3	Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communication.	☆	➤	➤	➤	➤	➤	➤	➤	➤	No change in status.

☆ Recommendation made ✓ Recommendation implemented ➤ In progress ✗ Recommendation not yet implemented